

Message Text

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TAGS: EAIR

SUBJECT: CIVAIR: DELEGATION REPORT ON CHARTER STATISTICAL

TALKS IN OTTAWA JULY 20-21, 1976

1. SUMMARY. AS ANTICIPATED, IT WAS NOT POSSIBLE TO DELETE OR AMEND THE DEFLATION FORMULA IN "SUN SPOT" CHARTER MARKET FORECASTING PROCEDURES IN ANNEX C TO NONSCHEDULED AIR SERVICES AGREEMENT. HOWEVER, AS AN APPARENT RESULT OF PREVIOUS EMBASSY NOTE AND USDEL

EXPRESSIONS OF CONCERN, CANDEL AGREED (SUBJECT TO CONFIRMATION BY BOTH GOVERNMENTS) THAT ATC WOULD UNDERTAKE THE ADDITIONAL WORK OF UP TO TWO AMENDED FINAL FORECASTS YEARLY TO INSURE U.S. CARRIERS' KNOWLEDGE OF ANY ADDITIONAL SEATS THEY MAY BE ENTITLED TO OPERATE AS OUTGROWTH OF MORE CANADAIN CARRIER FILINGS THAN ANTICIPATED UNDER FORMULA. DELEGATIONS ALSO CONCLUDED THAT SINCE PRELIMINARY OPERATING YEAR 1975/76 DATA WERE ALSO EXAMINED, THE JULY 20-21 TALKS COULD BECONSIDERED AS INCLUDING THE CONSULTATIONS TO BE REQUIRED BY SECTION III A OF ANNEX C WHEN FINAL DATA ARE AVAILABLE IN SEPTEMBER.

2. AFTER PRELIMINARY EXCHANGE OF DATA, DELEGATIONS EXPLORED WAYS OF CORRECTING PROBLEM OF DEFLATION FORMULA IN "SUN SPOT" FORECASTING METHODOLOGY. CARIOUS APPROACHES WERE PUT FORWARD BY USDEL IN THE FOLLOWING ORDER: (-L REMOVAL OF DEFLATION FORMULA; (2) MODIFICATION OF FORMULA TO REDUCE DEFLATION; OR (3) RECALCULATING FINAL FORECAST ON SEPTEMBER 30 BASED UPON GROWTH FROM SECOND PREVIOUS OPERATING YEAR TO PREVIOUS OPERATING YEAR THUS TAKING INTO ACCOUNT FACT THAT LARGEST

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GROWTH, WHICH OCCURS IN FINAL QUARTER OF OPERATING YEAR, IS NOT

REFLECTED IN A TIMELY MANNER IN THE PRESENT METHOD WHICH USES
CALENDAR YEAR GROWTH. CANDEL SUGGESTED CTC WOULD BE WILLING TO ADJUST
THE FINAL (JUNE 30) FORECAST UPWARD TO THE LEVEL OF SEATS APPROVED
AT THAT TIME.

3. USDEL INITIALLY PRESSED FOR (1) THE (2) ABOVE. CANDEL ARGUED
THAT THERE WAS NO IMMEDIATE PROBLEM IN THAT U.S. CARRIERS WERE
NOT USING THEIR ALLOCATIONS. CANDEL FURTHER ARGUED THAT IN THESE
RELATIVELY SMALL MARKETS THERE IS NO WAY TO DEVISE A FORECASTING
METHOD THAT WOULD CONSISTENTLY ACHIEVE THE ACCURACY REQUIRED BY THE
AGREEMENT. CANDEL COULD NOT ACCEPT ELIMINATION OF DEFLATION
FORMULA BECAUSE THIS COULD RESULT IN U.S. CARRIERS BEING GUARANTEED
AN ACTUAL SHARE LARGER THAN AGREED RATIO. CANDEL OBSERVED THAT IF
DEFLATION WERE TO BE MODIFIED IT WOULD HAVE TO PRESS FOR
INCREASE IN 15 PERCENT CONSULTATION TRIGGER AND REMOVAL OF 120
PERCENT ACCELERATION FACTOR IN SCHEDULE C.

4. AFTER RECESS, USDEL STATED ITS CONTINUING PREFERENCE FOR
(1) OR (2) ABOVE BUT WILLINGNESS TO DEVELOP A MORE OR LESS INTERIM
SOLUTION BASED ON CANDEL SUGGESTION COMBINED WITH USDEL
SUGGESTION (3). CONSOLIDATED RESULT IS
THAT ATC WILL COMPARE THE VOLUME OF SEATS APPROVED FOR CANADAIN CARRI
ERS
AS OF 15 DAYS PRIOR TO JUNE 30, SEPTEMBER 15,
AND NOVEMBER 15 AND AUGMENT ANY FINAL FORECAST BY A PROPORTION NOT
LESS THAN THE PERCENTAGE BY WHICH CANADAIN CARRIERS.
AMENDED FORECASTS WILL BE NOTIFIED TO ALL CARRIERS. IN NO CASE WOULD
FINAL FORECAST BE REDUCED AS A RESULT OF THIS PROCESS. MARKO WILL
SEND
DRAFT OF EXTAFF NOTE INCORPORATING THESE ARRANGEMENT TO
WASHINGTON FOR CONSIDERATION THERE.

5. ABOVE TELEGRAM WAS PRESENTED TO CONSULATE FOR TRANSMISSION BY
DRAFTER JOSEPH R. CHESSEN, U.S. CIVIL AERONAUTICS
BOARD, WASHINGTON, D.C.
YLITALO

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